

Message Text

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PAGE 01 STATE 264967
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FOL RPT ISLAMABAD 10793 ACTION SECSTATE 1 NOV 77 QUOTE

UNCLAS ISLAMABAD 10793

E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, PK

SUBJ: ADJUSTMENT IN EXCISE AND IMPORT DUTIES AND SALESTAX

REF: ISLAMABAD 9016

1. AS THE FIRST FOLLOW-UP MEASURE TO IMPLEMENT THE SEPT 1 AND 2, 1977 ECONOMIC PROGRAM REPORTED IN REFTEL THE GOVERNMENT OF PAKISTAN ANNOUNCED OCTOBER 19 ITS DECISION TO MAKE CERTAIN ADJUSTMENTS IN THE CUSTOMS DUTIES AND SALES AND EXCISE TAXES FOR ELEVEN COMMODITIES AND INDUSTRIES. THESE INCLUDE: (1) PVC RESIN IMPORT DUTY OF 120 PERCENT AD VALOREM REPLACED BY SPECIFIC DUTY OF RS.7.50 PER KILOGRAM. (2) SHOCK ABSORBERS MANUFACTURING EXEMPTED FROM 20 PERCENT SALES TAX. (3) SULPHUR BLACK PRODUCTION - EXEMPTED FROM 22 PERCENT EXCISE DUTY. (4) TEXTILE SPINDLES IMPORT DUTY RAISED TO 85 PERCENT AD VALOREM FROM 70 PERCENT. (5) LOCALLY PRODUCED PAPER FOR WRITING PADS, PRINTING SCHOOL BOOKS AND EXERCISE BOOKS IN 60-70 GRAMMAGE CATEGORIES EXEMPTED FROM 10 PERCENT SALES TAX AND RE.0.30 PER KILOGRAMD
UNCLASSIFIED

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PAGE 02 STATE 264967

EXCISE DUTY. (6) BLENDED YARN FABRICS LOCALLY PRODUCED EXEMPTED FROM EXCISE DUTY RANGING FROM RE.0.12 TO 0.96 PER SQ METER (BUT PRODUCTION UNITS WILL STILL BE SUBJECT TO EXCISE DUTY ON CAPACITY BASIS). (7) (A) IMPORT DUTY ON NUTS AND BOLTS INCREASED TO 97.5 PERCENT AD VALOREM FROM 80 PERCENT (B) WIRE ROD IMPORT DUTY REDUCED TO 80 PERCENT AD VALOREM FROM 97.5 PERCENT. (8) ACRYLIC FIBER IMPORT DUTY REDUCED TO RS.6.62 PER KILOGRAM FROM 97.5

PERCENT AD VALOREM. (9) LOCALLY MANUFACTURED HIGH PRESSURE SPIRAL WELDED STEEL PIPES EXEMPTED FROM 20 PERCENT SALES TAX. (10) (A) EXEMPTION OF 30 PERCENT DUTY WITHDRAWN ON IMPORTS OF BOILERS UPTO 12 TON STEAM EVAPORATION PER HOUR (B) IMPORT DUTY (VARYING RATES) ON COMPONENTS FOR LOCAL MANUFACTURE OF BOILERS TO BE REFUNDED TO MANUFACTURERS. (11) 35 PERCENT PROTECTIVE DUTY LEVIED ON BICYCLE CHAIN IMPORTS, IN ADDITION TO 72.5 PERCENT EXISTING IMPORT DUTY.

2. IN A SEPARATE ANNOUNCEMENT OCTOBER 20, THE GOVERNMENT OF PAKISTAN LEVIED A 15 PERCENT AD VALOREM DUTY ON LOOSE TEA IMPORTS AND INCREASED THE DUTY ON PACKETTED TEA IMPORTS FROM 40 PERCENT TO 50 PERCENT AD VALOREM.

COMMENT. THE OCTOBER 19 MEASURES WERE BASED ON THE RECOMMENDATIONS OF THE FOUR MEMBER GOP COMMITTEE HEADED BY THE INDUSTRIES SECRETARY N.N.A. QURESHI, PRIMARILY TO TRY TO ENCOURAGE LOCAL PRODUCTION, PROVIDE PROTECTION AGAINST IMPORTS AND HELP INCREASE CAPACITY UTILIZATION. THESE MEASURES ARE ALL FAIRLY SMALL AND THEIR IMPACT WILL NOT BE GREAT. REASONS FOR CHANGES AND ANTICIPATED BENEFIT ITEMWISE CAN BE SUMMARIZED THUS: 1. PVC RESIN - AS A RESULT OF HIGHER IMPORT DUTY ON EMULSION GRADE PVC USED IN MANUFACTURE OF ARTIFICIAL LEATHER LOCAL FINISHED PRODUCT COULD NOT COMPETE WITH IMPORTED ARTIFICIAL LEATHER AND NINETEEN UNITS WERE CLOSED DOWN. THIS MEASURE WOULD PUT THE CLOSED UNITS BACK IN PRODUCTION. 2. SHOCK ABSORBERS - WITH TAX UNCLASSIFIED

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PAGE 03 STATE 264967

RELIEF AND RESULTING LOWER PRODUCTION COST WILL ENABLE INDUSTRY TO COMPETE FAVORABLY WITH IMPORTS. 3. SULPHUR BLACK- EXEMPTION FROM DUTY WILL ENSURE LOWER DYE PRICES WHICH WILL HELP THE TWO IDLE PAKISTANI UNITS GET BACK IN PRODUCTION. (4) TEXTILE SPINDLES- MEASURE WILL PROVIDE PROTECTION TO LOCAL INDUSTRY AND HELP SUBSTITUTION OF IMPORTS. 5. PAPER - TO ENCOURAGE GREATER PRODUCTION AND HELP RAISE UTILIZATION OF DOMESTIC INSTALLED CAPACITY FROM 30 PERCENT TO AN ESTIMATED 65 PERCENT. THIS MEASURE WILL REDUCE SALES PRICE AND HELP INCREASE AVAILABILITIES OF LOCALLY PRODUCED PAPER, AND SO DISCOURAGE IMPORTS. 6. BLENDED FABRICS - EXEMPTION FROM DUTY ON YARDAGE WILL BRING BLENDED FABRICS AT PAR WITH COTTON FABRICS AND REMOVE AN ANOMALY IN THE DUTY STRUCTURE. 7. NUTS AND BOLTS - HIGHER IMPORT DUTY ON WIRE ROD USED IN MAKING NUTS AND BOLTS RESULTS IN COSTLIER LOCAL PRODUCT THAN FINISHED NUTS AND BOLTS IMPORTS. THIS MEASURE WOULD REVERSE THE IMPACT AND PROVIDE COMPETITIVE ADVANTAGE TO LOCAL PRODUCTION AND REMOVE AN ANOMALY. 8. ACRYLIC FIBER - THE MEASURE WOULD REDUCE PRODUCTION COST AND INCREASE AVAILABILITIES OF CARPETS AND KNITTING WOOL WHICH ARE PRIMARY USERS OF THIS FIBER. 9. HIGH PRESSURE SPIRAL WELDED STEEL PIPES. EXEMPTION FROM SALES TAX WILL ENCOURAGE LOCAL INDUSTRY WHICH MANUFACTURES PIPES FOR NATURAL GAS TRANSMISSION. INCIDENCE OF TAXATION WILL NOW BE AT PAR WITH THE

IMPORTS. 10. BOILERS - WITHDRAWAL OF EXEMPTION FROM IMPORTS
AND REFUND ON IMPORTED COMPONENTS WILL PROVIDE DOUBLE ADVANTAGE
TO LOCAL INDUSTRY IN COMPETITION. 11. BICYCLE CHAINS - ADDITIONAL
DUTY WILL PROTECT LOCAL INDUSTRY AGAINST IMPORTS.

THE TEA LEVY IS PROMPTED BY THE RECENT REDUCTION IN
INTERNATIONAL TEA AUCTION PRICES AND IS PRIMARILY TO RAISE
REVENUE. THE INTERNATIONAL AVERAGE PRICE IS DOWN TO RS.23 PER
KILOGRAM FROM RS.26 PER KILOGRAM A FEW MONTHS AGO.
HUMMEL

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